

**Title 12—DEPARTMENT OF REVENUE
Division 10—Director of Revenue
Chapter 110—Sales/Use Tax—Exemptions**

PROPOSED AMENDMENT

12 CSR 10-110.200 Ingredient or Component Part Exemption, as Defined in Section 144.030, RSMo. The director proposes to amend the Title, and sections (1) and (4).

PURPOSE: This rule is being amended due to TAFP CCS HCS SB30, enacted by the 94th General Assembly, 2007.

(1) In general, purchases of ingredients or component parts are exempt from tax if they blend with the final product and are intended to and do become a part of the finished product. In addition, *[certain]* materials that are consumed in the manufactur[e]ing, **processing, compounding, mining, producing or fabricating** of *[steel]* products intended to be sold ultimately for final use or consumption are exempt from tax.

(4) Examples.

(A) A toy manufacturer purchases wood, glue, **and** paint *[and sandpaper]* to use in the manufacturing of wooden rocking horses. The purchases of wood, glue and paint are exempt from tax. *[The purchase of sandpaper is taxable.]*

(B) A restaurant purchases apple wood to use in the smoking of foods. The restaurant burns the wood in a closed chamber, called a smoker, in which it places the food. The burning wood releases compounds, and small but measurable quantities of the compounds enter and permeate the food. Because a part of the wood, in the form of smoke particles, blends with and remains as part of the finished product, the apple wood may be purchased tax exempt as an ingredient or component part.

(C) An automobile manufacturer purchases *[soap and]* wax to *[wash and]* wax all automobiles as they leave the manufacturing plant. *[Some soap residue remains with the automobiles when they leave the plant. The soap does not qualify as an ingredient or component part because it is not intended to remain with the product.]* The wax *[does qualify]* **qualifies** as a component part because it is intended to remain with the product.

(D) A steel mill purchases firebrick and various gases to be used in the production of steel. These purchases are exempt.

(E) A steel fabricator purchases welding rods *[and gases]* for use in fabricating a product out of steel plates. The welding rods are exempt because *[it]* **they** become[s] a component part of new personal property. *[Even though the gases are consumed in the fabrication process, the gases are not exempt because the new personal property does not qualify as a steel product.]*

[(F) A foundry creates a steel product by casting molten steel. After casting, a cleaning solution is poured over the product to remove impurities from the surface. The cleaning solution is not exempt because it does not blend, react or interact with a component part or ingredient of the steel product.]

*AUTHORITY: section 144.270, RSMo [1994] **2000**. Original rule filed Aug. 30, 2000, effective March 30, 2001. Emergency amendment filed Aug. ____, 2007, effective Aug. 28, 2007, expires Feb. 23, 2008. Original amendment filed Aug. ____, 2007.*

PUBLIC COST: This proposed amendment will not cost state agencies or political subdivisions more than five hundred dollars (\$500) in the aggregate.

PRIVATE COST: This proposed amendment will not cost private entities more than five hundred dollars (\$500) in the aggregate.

*NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed amendment with the Missouri Department of Revenue, Legal Services Division, Governmental Affairs Bureau, PO Box 475, Jefferson City, MO 65105-0475. To be considered, comments must be received within thirty (30) days after publication of this notice in the **Missouri Register**. No public hearing is scheduled.*